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NEWS RELEASE

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FEDERAL COURT ORDERS THE CITY'S INSURANCE COMPANY TO DEFEND THREE MULTI-MILLION DOLLAR LAWSUITS FILED BY DEVELOPER ROQUE DE LA FUENTE

San Diego, CA: A federal district court has enforced and expanded an appellate court ruling that orders the City's insurance company, American International Group (AIG), to defend the City of San Diego in three multi-million dollar cases that have been filed by developer Roque de la Fuente. In rulings released late Friday, Federal Judge Roger T. Benitez ruled that Border Business Park, National Enterprises and Otay Acquisitions are each alter ego companies of De La Fuente and therefore AIG has a duty to pay the City's legal expenses under two insurance policies.

"The Judge's decision is huge because it categorically requires AIG to defend the City in all three De La Fuente lawsuits" said City Attorney Aguirre.

According to outside legal counsel Kristine Wilkes from the law firm of Latham and Watkins, the Court's opinion will exponentially increase the City's insurance for defense costs, because the Court found that separate policy limits apply each year, adding millions of dollars in available defense coverage. The Court rejected AIG's claim that the policy is exhausted by one payment of \$2 million for a multi-year policy.

The Federal Court's order also will permit the City to seek attorney's fees and punitive damages from AIG.

In January 2001, a \$94.5 million verdict was handed down against the City in the matter related to Border Business Park. After a trial, the verdict was reduced by nearly \$30 million. The judgment now stands in excess of \$100 million with interest. That judgment has been appealed and the cases currently are stayed in the trial court until the appeal is resolved.

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